GINSENG
Market Opportunities in the Asia Pacific Region for the British Columbia Ginseng Industry

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Purpose of the Report

This report analyses the market potential for British Columbia-produced ginseng in the Asia-Pacific region. Information has been gathered from a survey of market trends for ginseng imported and exported to and from China, Hong Kong, Taiwan, Japan, South Korea, Malaysia and Singapore. In addition to current market intelligence, the sector profile also contains information on importers, distributors, trade associations, government organizations, and other more in depth market research, related to the production, distribution and sale of ginseng.

Background

Ginseng roots are herbaceous perennials native to northern Manchuria, the northeastern United States, and areas of southern Ontario and Quebec. The plant has been used in Chinese medicine for the last 7,000 years. Commercial cultivation began in the United States in the 18th Century. Cultivation began later in Canada, with Ontario beginning production in the early part of this century and British Columbia starting production in 1982 with the planting of five acres of crop in Lytton, British Columbia.

In British Columbia, industry expansion has been brisk, and today there are over 42 growers and approximately 780 acres planted. By 1995, it is expected British Columbia will have 1,200 acres of land devoted to ginseng cultivation. British Columbia is also home to the largest ginseng farm in North America, which is owned by the Chai-Na-Ta Ginseng Products Limited company. Nearly all ginseng cultivation occurs in the Interior of British Columbia, in the Okanagan Valley and the Fraser-Thompson Rivers corridor.

Varieties

Two varieties of ginseng are commercially important at present. *Panax ginseng* is the traditional Chinese variety that historically grew throughout northern Manchuria, and is now cultivated throughout China, Korea, and Japan. *Panax quinquefolium*, or North American ginseng (referred to hereafter as American or North American ginseng) originally grew wild in the northeastern United States, southern Ontario and Quebec, and is now commercially cultivated in Ontario, Wisconsin, and British Columbia.

Uses

Central to an understanding of the use of ginseng are the Chinese concepts of yin and yang. Yin symbolizes the cooling, passive, or tranquil processes of the body, while yang symbolizes the active, heating and metabolic functions. An imbalance in the yin and yang forces is said to result in sickness. The continued use of ginseng is believed to maintain or restore this essential balance.

Panax ginseng or Chinese ginseng is used to stimulate the yang, which heats and energizes the body. This variety is used to counter the effects of aging, cold climates, stress, and hormonal changes such as menopause. Chinese ginseng is routinely used to alleviate depression, headache, skin dryness, fatigue, anaemia, impotency, asthma, rheumatism, and diseases of the heart, kidney, liver, nervous system, digestive and circulatory systems. Gradual and continuous use of this variety is said to result in higher levels of energy, greater resistance to disease, calmer nerves, and better functioning of the cardiovascular system.

North American ginseng, on the other hand, stimulates the Yin, and has a cooling effect on the body. This variety is used by those in warmer climates, the young, the agitated and those with high blood pressure or diabetes. It is also used to treat heart and lung weakness.

Table 1

World Production of Ginseng (tonnes)

	1987	1988	1989	1990	1991 a	1992 a
China	2,520	2,770	3,050	3,350	3,690	4,060
South Korea	1,639	1,700	1,700	1,700	1,700	1,700
United States	589	600	600	600	600	600
Japan	120	120	120	120	120	120
Canada	114	130	160	186	213	226
Other b	150	150	150	150	150	150
Total	5, 132	5,470	5,780	6,106	6,473	6,856

a 1991-1992 estimates only.

b 'Other' category represents North Korea and U.S.S.R.

Source: *An Industry Development Plan for British Columbia Ginseng Producers*, B.C. Ministry of Agriculture, Fisheries and Food, December, 1990.

Overview of World Production

China has always been the largest producer of ginseng in the world, and in 1990 accounted for 54.8% of world production. Despite this fact, China is not self-sufficient in ginseng. Most imports are re-exported from Hong Kong to China. South Korea is second in gross production, with a 27.8% share, and produces the finest quality ginseng in the world. The United States and Canada are the third and fourth largest producers, and Japan is now fifth. The U.S.S.R and North Korea account for the majority of the ginseng represented in the 'other' category.

During the last 4 years world production of ginseng has increased 26 % to over 6,000 tonnes. Production levels of South Korea, the U.S, Japan, and others have levelled off and are expected to remain constant. Most of this growth can be attributed to China and Canada where production increased 32% and 63% respectively.

Canadian Exports

Because most Canadian-produced ginseng is bound for the export market, Canadian ginseng exports also experienced strong growth increasing 50.2% between 1988 and 1990. Export growth varied by country of destination. Export Table 2b indicates exports to Hong Kong dropped in 1989 by 29,427 kilograms, due in part to disease problems in the Ontario crops of

Table 2a

Canadian Ginseng Exports (kilograms)

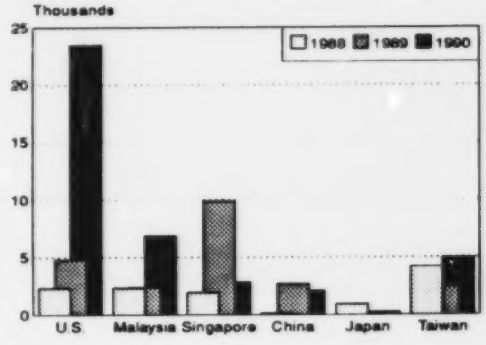
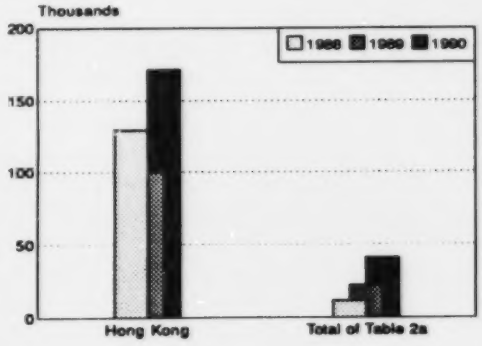


Table 2b



Source: Statistics Canada

that year. As the majority of Canadian ginseng is exported to Hong Kong, this drop effected total exports for 1989, which were down by 13.5 % from 1988.

British Columbia Exports

British Columbia's exports increased by 314% between 1988 and 1990. This dramatic growth was in part due to the first plantings of ginseng in British Columbia coming to maturity during these years. Production will continue to grow dramatically, as more and more land is devoted to ginseng cultivation. During the next decade B.C production will increase over 700%. In 1990 36.2 acres of ginseng were harvested. It is projected that 52 acres will be harvested in 1991, 84.5 in 1992, 178.2 in 1993, 235 in 1994, and 300 acres annually between 1995-2000. These projections are reliable up to 1995, as these crops are already in the ground. As approximately 90% of Canada's ginseng production is exported, the future prosperity of the B.C industry depends on increasing rates of consumption in its principal markets.

As indicated in the above tables, Hong Kong is the dominant export market for both Canadian and British Columbian ginseng, buying 99% of the B.C. crop in 1988, 81% in 1989 and 76% in 1990. British Columbia's reliance on Hong Kong has been reduced by growth in the U.S market in the last two years, and by development of new export markets, such as Malaysia, Taiwan and Singapore.

Hong Kong's market share of Canadian exports has been similarly eroded in recent years, from a high in 1988 of 91.6% to 80.8% in 1990. This trend is expected to continue, with a greater share of the ginseng crop going to the U.S and to the emerging markets of Malaysia, Singapore, Taiwan, and China.

Shipping

Information pertaining to the shipping of ginseng from British Columbia to Pacific Rim countries is contained in Appendix I. The cost of shipping a 20' container varies from US$ 1,775-2,300 plus applicable surcharges, depending on the destination. Costs per cubic metre or 1,000 kilograms range from US$ 95-210, with minimum charges of US$ 110-275. Transit times range from 11 days to Tokyo to 29 days to Malaysia.

Table 3a

British Columbia Ginseng Exports (kilograms)

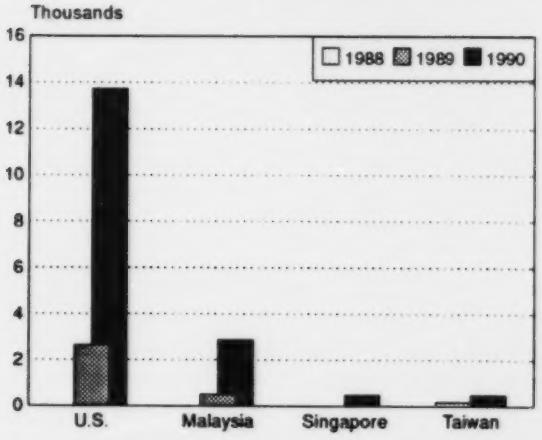
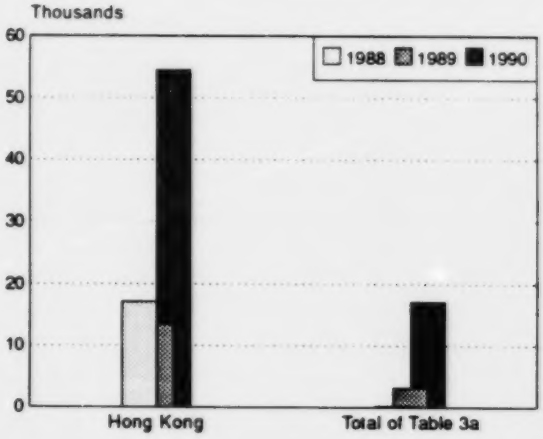


Table 3b



Note: There are no direct exports to China or Japan from B.C.

Hong Kong

Table 4a

Hong Kong Imports of Cultivated Ginseng (kilograms)

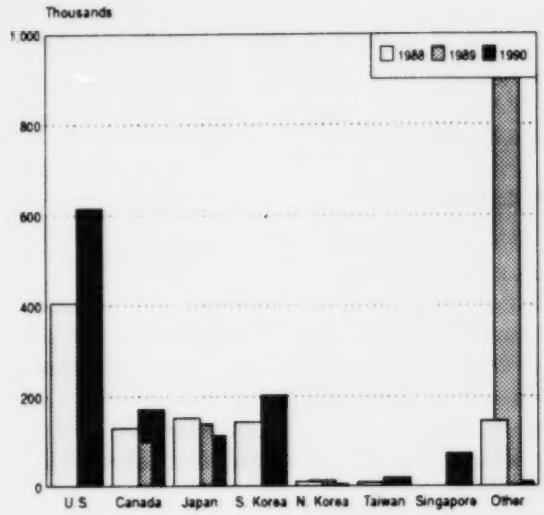
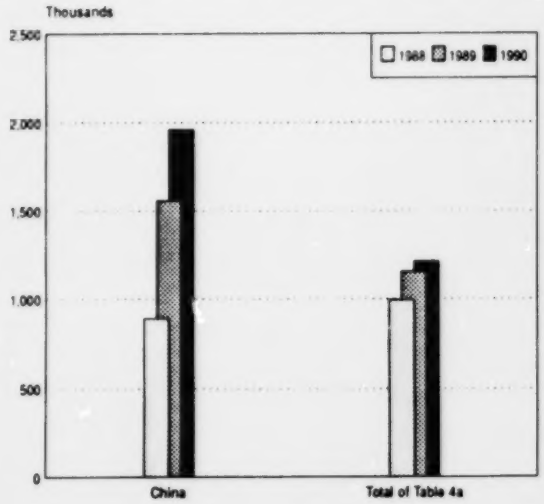


Table 4b



Source: Imports into Hong Kong, 1988-1990, Hong Kong government statistics. Statistics Canada

Hong Kong is the world's largest importer of ginseng, and the most important market for British Columbian and Canadian growers. It is the premier distribution centre for exports to Taiwan, Japan, China, Singapore and Malaysia, and when unofficial trade is included, Hong Kong is the world's largest exporter.

Hong Kong's ginseng industry has prospered for several reasons. First, its geographic and cultural proximity to China, the world's largest market for ginseng, allowed Hong Kong to assume a brokering position when many countries, such as Canada and the United States, broke trade relations with China in 1948. It was also able to broker trade between China and South Korea, who do not have direct trade relations. Second, Hong Kong developed extensive expertise in the grading and processing of ginseng which allowed it to become a re-exporter of value-added ginseng products. This led to the development of sophisticated distribution channels to its major import and export markets. Hong Kong's rise as a trading centre for ginseng was also aided by its duty-free port status, and its advanced financial and communications systems.

As Hong Kong is a key player in the world ginseng market, fluctuations in its trade levels act as a weather vane, faithfully reflecting the state of health of the industry as a whole. As shown in Tables 4a and b, Hong Kong's trade volume has increased significantly in the last few years.

Between 1988 and 1990 imports into Hong Kong grew by 67.8%. Approximately 83% of the growth in imports was due to increased trade with China.

Re-exports of ginseng from Hong Kong grew by 66.3% between 1988 and 1990. Re-exports to Taiwan, Japan, China, South Korea and Singapore experienced greatest growth.

The expansion of imports and re-exports in Hong Kong indicates the world ginseng industry is healthy and trade levels are growing. Though Hong Kong's return to China in 1997 is an unknown variable in the future of the ginseng industry, it is expected Hong Kong will continue to be British Columbia's most important export market, as demand increases in its primary re-export markets.

Table 5

Hong Kong Re-exports of Cultivated Ginseng (kilograms)

	1988	1989	1990
Taiwan	744,737	854,277	1,010,710
Japan	223,324	341,591	466,716
South Korea	173,741	289,625	414,093
Singapore	60,254	67,521	119,966
Malaysia	42,685	51,629	44,160
Canada	41,098	7,205	0
Total	1,326,305	1,708,992	2,205,531

Source: Re-exports from Hong Kong, 1988-1990, Hong Kong government statistics.

Import Duties

There are no tariffs on ginseng products, whether raw or processed. As Hong Kong is a free port, there are no trade restrictions on any commodities except alcohol, tobacco, cosmetics and automobiles.

Pricing

Retail ginseng prices vary widely in Hong Kong, depending on the origin of the ginseng root, the species, the growing environment, its appearance, and its lack of disease. As prices after grading range greatly, there is more validity in comparing import prices of raw cultivated ginseng before the grading process. Table 6 lists average import prices by country of origin.

Though price directions often fluctuate, there has been a general trend towards lower prices in recent years, due to increasing supply in the world market. However, the hierarchy of ginseng producing countries, in terms of price and quality has remained constant. The most expensive ginseng is exported from North Korea, Japan and South Korea, while the

Table 6

Average Hong Kong Import Prices by Origin ($Can/kg)

	1988	1989	1990*
North Korea	137.35	273.10	263.70
Japan	193.21	193.00	190.42
Rep. of Korea	192.91	n/a	177.45
Canada	106.06	n/a	102.78
United States	101.16	n/a	96.09
China	44.95	31.14	17.53

* January-November only.

Table 7

List of Value-added North American Ginseng Products

Brand	Manufacturer/Agent	Retail Price	Form/Weight
Ginseng Pills			
Yat Chau	Yat Chau Medicine Mfg. Co. Ltd. (HK)	HK$ 22	12 tablets
Chia Mei	Chia Mei (China)	HK$ 24	12 tablets
Ginseng Tea			
Can Am	Wise Fortune Investments (HK)	HK$ 70	powder form 20 packets
Golden Maple Leaf Superior American	Ginseng Health Products c/o Ontario Ltd. (Canada)	HK$ 68	powder form 20 packets
Jia Mei	Jia Mei American Ginseng Preparation Ltd.	HK$ 68	powder form 20 packets
Golden Hill	Exalt Investment Ltd. (HK)	HK$ 70	powder form 20 packets
Eagle's American	Health Food Enterprises Ltd. (HK)	HK$ 84	powder form 20 packets
Flower Flag	See Yuen Loy Int'l Medicine Co. (HK)	HK$ 62	powder form 20 packets
Ginseng Candies			
China Town Korean Ginseng Candy	Nan Yi Industry Co. Ltd. (Taiwan)	HK$ 13.2	48 pieces 80 grams
Haitai Korean Ginseng Candy	Haitai Confectionary Co. Ltd. (R. Korea)	HK$ 7.8	In Can 100 grams

($Can. = 6.8 HK)

least expensive comes from China. The U.S and Canada hold the middle ground in this price range, with Canadian ginseng drawing a slightly higher price. Though absolute prices vary in different markets, the pricing structure is fairly stable.

Pricing and Packaging of Value-added Products

Prices and varieties of value-added ginseng products vary widely. Ginseng is processed into many forms, including pills, teas, candies, drinks, and elixirs. These products are quick and easy to use, and have become a popular alternative to the traditional process of cooking raw ginseng root for several hours before ingesting. Table 7 lists American variety ginseng products, denoting price, quantity, and packaging.

Channels of Distribution

American ginseng roots are imported in barrel form by wholesalers. Roots are manually unsoiled, cut into portions (rootlets) and graded by wholesalers. Rootlets of different grades are then sold by wholesalers to retailers. Panax ginseng roots that have been graded prior to importation pass through wholesalers directly to retailers.

Importers and Distributors

Sun Ming Hong
24-26, Hillier Street
Hong Kong
Tel: 852-5-435388

Tak Tai Medicine and Drug Co. Ltd.
60-64 Des Voeux Road West
20th Floor, Wing Yue Building
Hong Kong
Tel: 852-5-489184

Pao Fung Trading Ltd.
Hang Wo Building
No. 72-74
Bonham Strand West
Hong Kong
Tel: 852-5-486166

People's Republic of China

China is the largest producer, exporter, and consumer of ginseng in the world today. Though Hong Kong is the largest importer of ginseng, much of its imports are re-exported to China. Therefore, the China market is of considerable importance to all exporters, and to British Columbia producers in particular, as so much of their product is exported through Hong Kong to China.

Chinese trade statistics are often unavailable or incomplete, which makes it difficult to ascertain fluctuations in this market. However, Hong Kong re-export statistics reveal a recent increase in demand. In 1988, China imported 174,000 kg from Hong Kong. In 1989 this level grew to 290,000 kg, and will top 452,000 kg in 1990, (annualized) representing an increase of 160% in less than three years.

Though growth has been steep in recent years, the market is far from saturated. It is estimated that per capita consumption in China lags far behind all other markets examined in this report. Statistics compiled in 1988 show per capita consumption to be 2.0 grams in China, compared to 74.6 in Hong Kong, 21.3 grams in South Korea, 9.2 grams in Taiwan, 5.3 grams in Malaysia, and 4.2 grams in Japan.[1]

Per capita consumption has grown in recent years, as indicated by the Hong Kong re-export figures, and is expected to continue to grow. One factor behind this growth is the increase in per capita income in China over the last decade. Economic reforms are expected to continue, which will provide the Chinese population with the funds to increase their consumption of ginseng.

Another factor in this growth is the softening of government opposition to ginseng use. The Chinese Communist Party viewed ginseng as a luxury item, because of its high cost, and as detrimental to its birth control programs, due to its use as an aphrodisiac. With the reduction of government opposition in recent years, a major obstacle to increased consumption has been removed.

Though consumption patterns are likely to increase over the next decade, political factors may impact on the future growth in imports. China began a policy of self-sufficiency in ginseng in 1987. It is the aim of the program to increase production by 10-20% per annum, in order to increase exports and eventually eliminate the importation of ginseng. China also began cultivating North American ginseng for both domestic consumption and export. If this policy is successful, considerable over-supply may occur in the world market.

As agricultural production and export statistics in China are unavailable, there is no way of determining how successful the policy has been or will be. This situation is further confused by the large volume of unofficial imports into China. However, Hong Kong exporters are confident that exports to China will not falter in the next decade, as imports have increased along with exports in the last few years. Evidently, domestic ginseng is not seen as a substitute for imported ginseng by consumers, as it is of a lower quality.

A further uncertainty in the Chinese market is the return of Hong Kong to China in 1997. As most of British Columbia's crop finds its way to China through Hong Kong, any change in the relationship between the two countries impacts directly on the future of the industry in British Columbia. However, if there continues to be a demand in the China and Hong Kong markets, British Columbia growers should not have trouble selling their product.

*1 Assessment of the market potential for Ginseng Cultivated in British Columbia, Agri-Food Regional Development Subsidiary Agreement, Oct., 1988, P.62.)

Import Duties

Import duty rates for American ginseng are 50% minimum and 70% General, depending on the root form.

Importers and Distributors

China National Medicines and Health Products Import and Export Corporation
2112 Xinzhong Street,
Dongcheng District
Beijing
Tel: 486831
Telex: 210103 MEHECCN
Cable: MEHEC BEIJING
President: Yan Rudai
Vice-Presidents: Jiu Zhihui
Qi Duming

South Korea

Table 8

Imports of Value-added Ginseng into Republic of Korea 1990

Product	Volume (kg)	Value ($ Can.)	Origin
Major Roots	96 kg	7,329	Japan
	300 kg	10,197	Taiwan
	946 kg	25,369	Others
Minor Roots	2 kg	1,426	Others
White Ginseng	50 kg	6,417	Japan

Source: South Korea government import statistics, 1990.

Further detail for the 'Others' categories is not currently available. However, judging from Hong Kong Re-export statistics, $US 15,723 was imported from Hong Kong. Canada has yet to export any ginseng to Korea.

As ginseng is a monopolized item in South Korea, information pertaining to the industry is under strict government control. The information that is available, however, shows that there is little or no market for American ginseng in South Korea. All raw ginseng and value-added products other than powders, capsules and tablets made of white ginseng are restricted from import. As South Korean ginseng, both red and white, is considered the best ginseng in the world and is produced in abundance, South Korea has no need to import ginseng, and has not done so to date.

In addition to being a major producer of ginseng, South Korea is at the forefront of industry research and development of processing techniques. Thus, there is a thriving industry of value-added ginseng products in South Korea, although figures on the volumes and values involved are not available. Nevertheless, South Korea imported value-added products in 1990 totalling $50,489, as outlined in Table 8.

Of all the markets examined in this report, South Korea offers the fewest opportunities for the B.C exporter. Though there is some importation of value-added products in South Korea, the volumes involved are insignificant when compared to other markets. It is not believed that South Korea will develop into a significant market in the near future, due to the high quality and availability of the domestic product and stern government opposition to imports. British Columbia exporters would do well to look to other more promising markets in the region.

Import Duties

The current tariff on eligible ginseng imports is 20% of the commodity value.

Malaysia

Malaysia is the third largest market for British Columbian and Canadian ginseng. Unlike Hong Kong, Malaysia does very little re-exporting of value-added ginseng products. Malaysia's leading suppliers of ginseng are South Korea and the United States. Since 1983, imports into Malaysia have quadrupled, in part due to increasing economic prosperity, which has benefitted the principle consumer of ginseng, the ethnic Chinese minority. As Malaysia's economy continues to grow, and per capita incomes rise further, it is expected imports of ginseng will expand.

Imports

Between 1986 and 1989, imports into Malaysia grew by 66.9%. Approximately half this quantity is imported directly from supplying countries, and half is sourced through brokers in Hong Kong.

Malaysian imports of Canadian produced ginseng remained unchanged in this two year period, but are expected to grow in the next few years. Malaysia represents a market opportunity for Canadian growers, as much of its total imports are of the panax quinquefolium variety. One reason for this is that Malaysia's pharmacopeia includes American ginseng, and the root is used in pharmaceutical preparations. In Taiwan, South Korea and Japan, only panax ginseng is used in this way.

Table 9

Imports into Malaysia by Country (kilograms)

	1988	1989
U.S.	35,809	64,691
South Korea	37,275	27,936
China	27,807	91,305
Hong Kong	11,055	11,542
Canada	2,326	2,353
Other	5,424	1,945
Total	119,696	199,772

Source: Malaysian government export statistics, 1988-1990.

Import Duties

Import duty is Can$ 9.85 per kg of ginseng imported, plus 5% sales tax. (Tax is calculated on the price including duty).

Importers And Distributors

Yong Fong Thia Sdn. Bhd.
76 Jalan Petaling
5000 Kuala Lumpur, Malaysia

Chinese Patent Medicines and Medicated Liquors Centre
First Floor, Selangor Complex
Jalan Sultan
5000 Kuala Lumpur, Malaysia

Sinma Medical Products (M) Sdn. Bhd.
30 Jalan Manis Tiga
Taman Segar Batu 6 1/2
Jalan Cheras
5610 Kuala Lumpur, Malaysia

Poon Keong Medical Hall
134-0A Jalan Jejaka
55100 Kuala Lumpur, Malaysia
Teck Choon Ginseng Hong Import
P.O Box 10669
50720
Kuala Lumpur, Malaysia
Tel: 03-230-3511

Singapore

Singapore resembles Hong Kong in its role as a re-exporter of ginseng. Approximately half the ginseng imported into Singapore is re-exported, with the majority going to Hong Kong for further processing. Singapore's imports declined by 56% between 1988 and 1990.

As only 1.3% of Canada's exports are sent to Singapore, this market is of little importance at present. As per capita incomes in Singapore are already relatively high, it seems unlikely there will be substantial market growth in the short-term.

Import Duties

As Singapore is a free port, there is no import duty applied to ginseng, whether raw or processed.

Table 10

Imports into Singapore by Country of Origin (kilograms)

	1988	1989	1990
South Korea	136,000	78,784	82,585
China	89,000	35,422	25,943
U.S.	45,000	28,820	10,112
Canada	1,927	9,877	2,827
North Korea	6,000	1,801	1,114
Other	7,000	2,839	2,399
Total	284,927	157,543	124,980

Source: Singapore government import statistics, 1988-1990

Japan

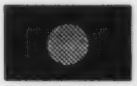


Table 11

Imports into Japan by Country and Variety (kilograms)

	Red	White	Other	Total
1988				
China	372,240	133,810	28,450	534,500
South Korea	40	254,494	1,000	255,634
Hong Kong	2,983	0	300	3,283
North Korea	1,658	0	0	1,658
Canada	0	0	941	941
Total	376,921	388,304	29,860	796,016
1989				
China	353,948	315,808	28,095	697,851
South Korea	0	246,724	0	246,724
Hong Kong	2,093	491	0	2,584
North Korea	2,495	0	0	2,495
Total	359,136	563,083	28,095	949,654
1990				
China	1,358,038	183,192	32,480	1,573,710
South Korea	51	403,632	0	403,683
Hong Kong	508	2,600	220	3,328
North Korea	21,034	0	0	21,034
Chile	0	1,000	0	1,000
Canada	0	0	200	200
Total	1,385,181	590,424	32,800	2,002,955
1991-January-June				
China	234,049	315,397	21,405	570,851
South Korea	0	86,805	22	86,827
Hong Kong	3,000	0	0	3,000
North Korea	572	11	0	583
Chile	0	3,000	0	3,000
Canada	0	0	100	100
Brazil	0	0	100	100
Total	237,621	405,213	21,627	664,540

The ginseng market in Japan has expanded greatly in recent years. Between 1988 and 1990, total imports into Japan grew by 151%. The leading suppliers are China, which supplies the bulk of red ginseng and a healthy percentage of white ginseng, and South Korea, which supplies most of the white ginseng. Minor players in the Japan market include North Korea, and Hong Kong. Recently, Chile has appeared on the scene, vying with Hong Kong for third position in this market. Canada and Brazil have also appeared, exporting small amounts.

There are several reasons for the steep increase in imports shown in Table 11. First, with the rapid rise in the value of the yen between 1983 and 1989, imports became much cheaper. Second, Japan has become very health conscious in the last few years, as evidenced by rapid growth in the health food industry. Reasons for this trend are related to Japan's increasing standard of living and age of its population.

Japan has also seen a renewed interest in traditional Chinese medicines. Since 1976, *panax ginseng* has been used in pharmaceutical preparations, and has been eligible for prescription under Japan's health insurance program. The number of prescriptions filled has been on the rise ever since.

Though growth has been strong in the Japanese market, it has not been significantly penetrated by either U.S or Canadian growers. According to Japanese trade statistics, the U.S has not imported any ginseng into Japan, and Canada has only imported 300 kg to date. The explanation for this virtual boycott is that Japan does not recognize North American ginseng as a pharmaceutical substance, and it is not eligible for prescription under the health insurance system. Unlike China, Hong Kong, Singapore and Malaysia, the North American variety has never been part of Japan's traditional medicine, and for this reason importers and distributors are uninterested.

Though North American ginseng will find no market as a medicinal product in the near future, there exists opportunity to market the product as a health food. As there has been a boom in this segment, it is likely that North American ginseng would sell well in drink form.

Import Duties

Ginseng roots imported into Japan carry the following rates of duty.

General	GATT	Temporary
(10%)	(5%)	(5%)

Channels of Distribution

There are several channels through which ginseng is distributed in Japan. The vast majority of ginseng is imported in raw or dried form, and then processed by a local manufacturer. It is then distributed through wholesalers and finally to various types of retailers, as Diagram 1 illustrates.

Pricing

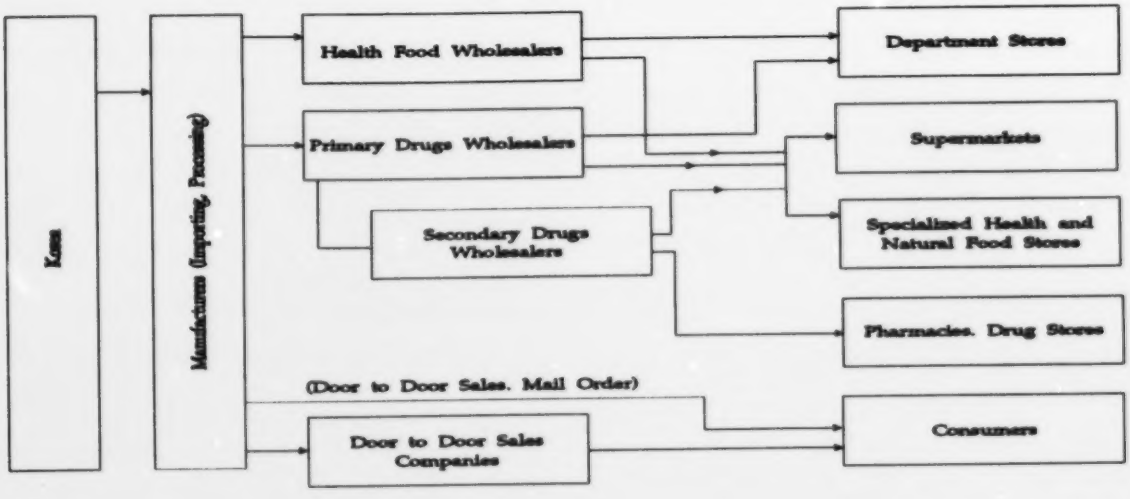
Prices vary greatly, depending on where the ginseng is grown. Prices in general are falling due to increasing oversupply, though there are many exceptions to this rule.

Laws and Regulations

Importation of ginseng must comply with the Plant Quarantine Law and the Pharmaceutical Affairs Law. In addition, if the product is used other than for medicinal purposes, it must meet standards set in the Food Sanitation Act. Outlines of these laws are available in reference form from the Japan External Trade Organization (see "Consulates and Other Foreign Representatives" section).

Table 12

Distribution Channels for Ginseng



At each stage of distribution the price of ginseng rises dramatically. The imported cost is CIF price[*2] plus a 35% markup. Between 15-40% is added to the price before it is sold to wholesalers. The wholesaler processes the ginseng and adds 20-30% to the price. By the time ginseng reaches the consumer, it is approximately four times its CIF price.

Table 13

1991 Average Price of Imported Ginseng ($Cdn/kg)

Red Ginseng	$Cdn/kg
North Korea	245.79
China	21.05
Hong Kong	11.78
White Ginseng	
South Korea	68.82
China	40.52
Chile	24.30
Other Roots	
China	11.27
Canada	118.35
Brazil	53.73

Source: Japan Tarrif Association

[*2] C.I.F. is the export price of a product which includes the cost of the product, insurance and freight.

Importers and Distributors

Happy World Inc.
Marue Bldg.
19-10 Jinnan 1-Chome
Shibuya-KuTokyo 150
Tel: 03 (3476) 0071
Fax: 03 (3496) 8159

Nagaoka and Co., Ltd.
1-34, Konan-Cho 1-Chome
Higashinada-Ku
Kobe, 658
Tel: 078 (451) 3661
Fax: 078 (412) 7756

Original Co., Ltd.
1-2, Mouri 2-Chome,
Koto-Ku
Tokyo 135
Tel: 03 (3631) 8183
Fax: 03 (3631) 8186

Nihon Vitamin Chemical Co., Ltd.
31, Kurose, Toyama,
Toyama-pref. 939
Tel: 0764 (91) 2333
Fax: 0764 (91) 5277

Toa Medicine Co., Ltd.
26, Sango
Toyama City
939-05
Tel: 0764 (78) 5100
Fax: 0764 (79) 0331

Yomeishu Seizo Co., Ltd.
16-25 Nanpeidai-Cho
Shibuya-Ku
Tokyo 150
Tel: 03 (462) 8132
Fax: 03 (462) 8339

Taiwan

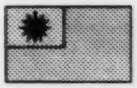


Table 14

Imports into Taiwan by Country (kilograms)

	1988	1989	1990
China	0	909,998	1,582,786
Hong Kong	947,746	331,771	32,102
U.S.	104,465	121,681	56,427
South Korea	73,460	53,329	19,430
Canada	4,177	2,459	4,986
Total	1,129,848	1,419,238	1,695,731

Source: Taiwan government import statistics, 1988-1990. Statistics Canada.

Unlike Hong Kong and Singapore, Taiwan is not a re-exporter of ginseng. Ginseng is imported in raw form, and then processed by domestic manufacturers, much as it is in Japan.

Much of Taiwan's imports came from the United States prior to the lifting of a ban on the importation of ginseng from Mainland China in 1988. Since then, China has been the largest supplier of ginseng to this market, as its product is approximately one quarter the price of North American ginseng. The introduction of China into the Taiwan market has displaced all previous suppliers, who have seen their exports tumble in recent years. As Table 12 shows, Chinese ginseng has effectively replaced much of the North American ginseng in Taiwan.

Taiwan's imports of raw ginseng increased 50% between 1988 and 1990, while Taiwanese imports of Canadian-produced ginseng increased 19%.

At present, Taiwan customs regulations restrict the importation of value-added ginseng products from all countries except Korea. Taiwan legislators are now lobbying to amend these regulations to allow other countries to export value-added ginseng products into Taiwan.

Even if the ban is lifted, it is unlikely Taiwan will become a large market for value-added goods as the majority of ginseng is consumed in its unprocessed form. A number of importers and local producers have attempted to sell their products to the domestic market, but have had little success as yet. This is due to the traditional nature of ginseng consumption in Taiwan. It is used as a medicinal product, as opposed to a health food.

Although Taiwan's ginseng imports are expected to continue to grow in the years to come, many brokers believe China will remain dominant in the market, due to its marked price advantage. This will be at the expense of all other exporters, including Canada. In addition, there is presently no market for non-Korean value-added products. Given these facts, it is unlikely Taiwan will reach the market potential it was thought to possess before the ban on Chinese ginseng imports was lifted.

Table 15

Average Prices for Raw Ginseng Imported into Taiwan (Can. $)

	1988	1989	1990
China	n/a	18.8	11.18
U.S.	77.09	76.34	69.9
Hong Kong	25.15	21.55	17.36
Canada	82.51	81.54	n/a
South Korea	135.95	84.66	57.70
Total	38,791,900	33,595,800	20,451,100

Pricing

The world trend towards lower prices has made an impact on Taiwan. Though the volume of ginseng imported into Taiwan has increased in recent years, the value of imports has dropped from US$ 38,791,900 in 1988 to US$ 20,451,100 in 1990. This is a result of Taiwan increasing imports of cheaper Chinese ginseng, and of world prices dropping. Table 14 illustrates this phenomenon.

The average wholesale price of value-added ginseng products is as follows:

Ginseng Pills: C$ 11.42 per 100 tablets.
Ginseng Tea: C$ 22.84 per 50 packages.

Import Duties

Ginseng imported into Taiwan is levied a 35% ad valorem import duty.

Channels of Distribution

Ginseng is imported into Taiwan in barrel form by wholesalers. The ginseng is then unpacked, graded, and distributed to retailers. High quality roots are sold whole, while poorer quality roots are processed into other products.

Importers and Distributors

Garwin Enterprise Corporation
2nd Floor, No.2 Guang Ming St.
Kaohsiung, Taiwan

Shin Liang Enterprise Co.
82 Tishwa St. 1 Sec.
Taipei, Taiwan

Ta Ying Trading Co.
No.79-2 Sining N. Rd.
Taipei, Taiwan

Hang Fat Trading Co.
No. 322 Ming Seng W. Rd
Taipei, Taiwan

Value-added Opportunities

The British Columbia ginseng industry at present is still very young and has yet to reach its potential in terms of volume of production. More importantly, the process of adding value to its product is just beginning. If the British Columbia industry is to grow to maturity, it is important that opportunities to add value be explored.

Today, British Columbia exports its product in raw or dried form. It is then graded, or processed into pills, teas, candies and elixirs in the country of import. Research must be undertaken in the near future to ascertain the feasibility of processing ginseng here in British Columbia.

The industry in Ontario is more mature than it is in British Columbia, and produces various teas, drinks and capsules, as do many U.S. companies. There is now growing movement in this direction in British Columbia. On August 1, 1991, Sunmore HealthTech Ltd. began construction of a processing plant in Kamloops, which will grind 13,500 kilograms of the root each year, for export to Hong Kong and Taiwan. A Taiwanese investor plans to open a 3,300 square metre plant in December, and add another 6,600 square metres by 1993. The plant will process ginseng into powder and for use in drinks.

Another approach has been adopted by British Columbia's largest grower, Chai-Na-Ta Ginseng Products Ltd. The grower has formed a marketing company, North American Ginseng Enterprises Ltd. in Hong Kong, in which it has an 85% interest. This company has signed a joint venture agreement with the China National Pharmaceutical Foreign Trade Corporation to process, grade and market North American ginseng in China. The company will also sell ginseng in boxes, slices, and capsules to the Chinese market. By grading and processing through their subsidiary in Hong Kong, Chai-Na-Ta will circumvent Hong Kong brokers and receive a higher selling price for its product, thus increasing its margin of profit. Chai-Na-Ta is currently negotiating a marketing agreement for Southeast Asia.

It is evident from the above ventures that there are several ways to add value to the British Columbia ginseng crop. Processing ginseng into capsules, teas and drinks is neither labour intensive nor a highly technical undertaking, and judging from the success of companies in Ontario and Wisconsin, is a feasible means of adding value to the product. Growth in this direction is a natural route for the maturing British Columbia industry to follow.

The grading of ginseng is not considered a practical step for British Columbia growers. The process is extremely labour-intensive and requires expertise currently unavailable in North America. It is far more efficient to grade the product in Hong Kong, as is done today by selling directly to Hong Kong brokers. B.C. growers can benefit from this value-added process by forming joint-ventures with graders in Hong Kong, as Chai-Na-Ta has done.

The processing and packaging of British Columbia's ginseng crop not only adds value to the product, but may also increase its marketability in specific countries. For countries that do not recognize North American ginseng in their traditional medicines or pharmacopeias, British Columbian ginseng may find acceptance in the form of health drinks, candies, teas, or food additives. This is especially true of Japan, where North American ginseng will find no market as a medicinal product, but may do so as a health food.

Marketing

The British Columbia industry to date has not been concerned with marketing their product in any concerted fashion. Hong Kong brokers have traditionally sought out growers and bought entire harvests. Due to increases in demand, British Columbia brokers were always able to sell their crop quickly, and there seemed little point in spending money on marketing.

However, if British Columbia growers want to increase market penetration in the Asia-Pacific, a marketing campaign that distinguishes the merits of Panax quinquefolium (American ginseng) from panax ginseng should be undertaken. Panax quinquefolium has a cooling effect on the body, and is said to be effective in reducing stress. In the summer months Hong Kong, Japan, China and Korea become extremely hot and humid, while Singapore and Malaysia are hot all year round. A marketing campaign associating American ginseng with cool mountain breezes, a slower pace of life, and tranquility would increase market penetration.

Products and brand names should be developed that incorporate this image of American ginseng. If

consumers are taught to associate American ginseng with feeling cooler, they will want value-added products of this variety. As discussed above, it is feasible for British Columbian companies to process raw ginseng into teas, capsules, elixirs, health drinks and candies. With an adequate marketing campaign, these products should be very successful.

It should be remembered American ginseng is a relatively new product competing against one that is old and entrenched. As with any new product, American ginseng producers must undertake a marketing campaign to educate consumers about the advantages of choosing their products over those of their competitors.

Future Prospects

As British Columbian ginseng production increases over the next several years, the industry will become more dependent on growth in its principal export markets. International competition will grow more intense, as China expands its rate of production. Unless world demand rises at an accelerated rate, there will be an over-supply of ginseng in the world market in the near future. There is some evidence that this scenario is already upon us, as there has been a trend to lower prices in recent years.

Will world demand keep pace with production in the near future? Though the outlook is generally bright for the next five years, there are more questions than answers to be found in the future of the ginseng industry. Of paramount concern is the Chinese market. It is unknown whether China will succeed in its push towards self-sufficiency in ginseng. As much of British Columbian production is destined for this market, events in China must be watched carefully.

The state of the Chinese market will also greatly effect Hong Kong. Chinese autarky in ginseng would mean the loss of an important market. As most of British Columbia's product is destined for China, Hong Kong would no longer have reason to import from British Columbia, although it is not certain that Chinese-grown North American ginseng will be accepted as a substitute for North American-grown ginseng.

Another concern for the British Columbia industry is the approaching return of Hong Kong to China in 1997. There is much uncertainty as to the outcome of this historic event. However, it is likely that Hong Kong will remain the principal distribution centre of the ginseng industry well into the next century, due to its geographic location, its sophisticated channels of distribution, and its industry expertise.

Whether Hong Kong will be able to absorb increasing supply from British Columbia is another question. Growth in imports has been high in the last few years, as increasing amounts of Chinese exports have found their way to the Hong Kong market. To date Hong Kong has had no problem consuming and re-exporting these imports, which indicates that demand in its principal markets is increasing. Hong Kong re-exports most of the Chinese product to Taiwan, Japan, Malaysia, Singapore and the U.S, while most of the imports from North America, Japan and South Korea are re-exported to China. Thus, the future of the British Columbia industry is tied to the Chinese market.

One way British Columbia can reduce its dependence on Hong Kong is by increasing imports to other markets. The Republic of Korea is not a viable option at present, due to the quality and quantity of domestic production. There is little likelihood that the Republic of Korea will represent a feasible market in the foreseeable future.

Singapore represents a somewhat brighter opportunity, as Singaporeans are becoming very health conscious and have much disposable income. Exports have fallen sharply in recent years, though, and there is little to suggest a reversal in this trend.

In Japan, imports have surged since 1988. This would seem to represent a market opportunity for British Columbia producers. However, at present Japanese importers have largely ignored North American ginseng, as it is not used in traditional medical practise, and is not part of the Japanese pharmacopeia. There may be some opportunity in marketing British Columbia ginseng as a health drink in Japan, though this remains to be seen.

Taiwan is Canada's third most important market for ginseng, and is an expanding market. However, China's recent dominance in the Taiwan market has displaced all other exporters. It is expected Chinese ginseng imports will continue to grow, making competition extremely difficult for Canadian exporters.

Malaysia offers much potential for the British Columbia exporter, as imports of ginseng have grown steadily in the last few years. Rising per capita incomes and increasing concern about health are the major factors that have increased ginseng consumption. As per capita consumption is still well below that of Hong Kong, the market is relatively unsaturated and should continue to expand for many years.

Though there are many uncertainties in the future of the ginseng industry, it is likely world demand will grow, and Hong Kong imports will expand to absorb increasing British Columbia production. For the foreseeable future, it is expected Hong Kong will continue to be British Columbia's largest market, though this dependence will be reduced by the development of alternative markets, such as Malaysia.

Appendix 1a

Shipping Information
Full Container Load Rates from Vancouver, British Columbia

	20′ Container	40′ Container	Surcharge*
Japan Base Port	US$ 1775	US$ 2075	CAF/FAF
Korea	US$ 1950	US$ 2300	CAF/FAF
Taiwan	US$ 1875	US$ 2200	CAF/FAF
Hong Kong	US$ 1956	US$ 2310	FAF
Singapore	US$ 2200	US$ 2675	CAF/FAF
Port Kelang	US$ 2300	US$ 2775	FAF

* Plus applicable terminal charges
* **CAF:** Currency Adjustment Factor
FAF: Fuel Adjustment Factor
Source: rates quoted by NYK Line, Vancouver, British Columbia

Appendix 1b

Less than Container Rates from Vancouver, British Columbia

	Cubic Metre/1000 kg	Minimum B/L
Hong Kong	US$ 95	US$ 110
Tokyo/Yokohama	US$ 135	US$ 120
Singapore	US$ 160	US$ 145
Port Kelang	US$ 210	US$ 275
Kaoshiung	US$ 155	US$ 140
Pusan	US$ 145	US$ 130

Consolidation rates include terminal charges and surcharges.
Source: rates quoted by Overseas Container Forwarding Inc., Vancouver, British Columbia.

Transit Time from Vancouver, British Columbia

	Transit Time
Tokyo	11 days
Hong Kong	19 days
Korea	15 days
Taiwan	13 days
Singapore	25 days
Malaysia	29 days

Further References

American Ginseng Culture in the Arid Climates of British Columbia, B.C Ministry of Agriculture and Fisheries, 1990

A technical publication on ginseng growing techniques employed in British Columbia, with a description of British Columbia ginseng production, and a list of ginseng importer/exporters, distributors and processors. 36 pages.

An Industry Development Plan For British Columbia Producers, B.C. Ministry of Agriculture, Fisheries and Food, December, 1990.

A profile of the British Columbia ginseng industry, analyzing its strengths and weaknesses, priorities and strategies for the future. 22 pages.

Assessment of the Market Potential for Ginseng Cultivated in B.C., Project #1301, Agri-Food Regional Development Subsidiary Agreement, October 1988.

An in-depth survey of the market potential for British Columbia ginseng, including an overview of world production, analysis of export and North American ginseng markets, and recomendations for the British Columbia ginseng industry. Prepared for the Associated Ginseng Growers of British Columbia. 133 pages.

The above publications may be requested through the office of:

Al Oliver
Provincial Ginseng Specialist
District Horticulturalist
Southern Interior Region
B.C. Ministry of Agriculture and Fisheries
162 Oriole Road
Kamloops
British Columbia
V2C 4N7
PH: (604) 828-4552
Fax: (604) 828-4631

"Health Food", ***Your Market in Japan,*** Mini-Report No.19, Japan Esternal Trade Organization January 1986.

A thorough analysis of the health food market in Japan, containing a market overview, descriptions of the competitive situation, sales prospects, market access advice, and lists of related organizations.

"Natural Drugs", ***Access to Japan's Import Market,*** 2nd Edition, No. 41, Japan External Trade Organization, February, 1988.

A general profile of the health food market in Japan, containing information on production, imports, consumption, distribution, and regulations.

Japan External Trade Organization publications may be requested through the office of:

Elaine Homma
Japan External Trade Organzation
660-999 Canada Place
Vancouver, British Columbia
V6C-3E1
Tel: (604) 684-4174
Fax: (604) 684-6877

All publications referred to in this report are now available together in a package from the B.C. Info Centre.

Rick Blake
Manager
B.C. Business Info Centre
British Columbia Trade Development Corporation
601 W. Cordova
V6B-1G1
Tel: (604) 660-3900
Fax: (604) 660-4166

Ginseng Grower Associations in North America

Ginseng Growers' Association of Canada
Box 87
Waterford, Ontario
N0E 1Y0

American Ginseng Research Institute
500 Third Street
Suite 208-2
Wausau, WI 54401 (715)

The Associated Ginseng Growers of B.C.
Box 241
Vernon, B.C.
V1T 6M2

Wisconsin Ginseng Growers Association
Suite 202-2
500 Third Street
Wausau, WI 54401

Illinois Ginseng Growers Association
Box 462
Watseka, Il 60970

Ginseng Board of Wisconsin
2204-9th Avenue
Hamburg, WI 54438

New York State Ginseng Association
Roxbury, NY

British Columbia Government Organizations

Province of British Columbia
Ministry of Economic Development, Small Business and Trade
Asia-Pacific Branch
International Operations Division
Suite 629, 999 Canada Place
Vancouver, British Columbia
V6C 3E1
Tel: (604) 844-1800
Fax: (604) 660-3917

British Columbia Trade Development Corporation
Suite 730, 999 Canada Place
Vancouver, British Columbia
V6C 3E1
Tel: (604) 844-1900
Fax: (604) 660-2457

British Columbia Representative Offices in Hong Kong, South Korea, Japan, Singapore and Taiwan may be contacted through the Ministry of Economic Development, Small Business and Trade.

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Ministry of Agriculture and Fisheries
Southern Interior Region
162 Oriole Road
Kamloops, British Columbia
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Fax: (604) 828-4631

Consulates and Other Foreign Government Representatives

China
Consulate General of the
People's Republic of China
3380 Granville Street
Vancouver, British Columbia
Tel: (604) 736-3910

Hong Kong
Hong Kong Trade Development Council
700-1550 Alberni
Vancouver, British Columbia
V6G 1A3
Tel: (604) 685-0883
Fax: (604) 669-3784

Japan
Consulate General of Japan
900-1177 West Hastings
Vancouver, British Columbia
V6E 2K9
Tel: (604) 684-5868
Fax: (604) 684-6939

Japan External Trade Organzation
660-999 Canada Place
Vancouver, British Columbia
V6C-3E1
Tel: (604) 684-4174
Fax: (604) 684-6877

Malaysia
Consulate of Malaysia
Trade Commissioner
34 King Street East
Toronto, Ontario
Tel: (416) 869-3886

Malaysian Consulate
2800-666 Burrard
Vancouver, British Columbia
V6Z-2K4
Tel: (604) 689-8899
Fax: (604) 689-8804

Singapore
Singapore Consulate
Suite 1700
1075 W. Georgia
V6E-3G2
Tel: (604) 631-4868
Fax: (604) 631 3232

South Korea
Consulate General of the Republic of Korea
1066 W. Hastings
Vancouver, British Columbia
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Tel: (604) 681-9581
Fax: (604) 681-4864

Korea Trade Centre
1710-505 Burrard
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